

FILE COPY



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

Carnahan Courthouse Building
1114 Market St., Room 608
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

December 21, 2004

Ms. Gloria Karwoski, Director
Adequate Housing for Missourians
2709 Woodson Rd.
St. Louis, MO 63114

RE: Fiscal Monitoring Report of Adequate Housing for Missourians, Federal
Emergency Shelter Grant (FESG) (#2005-HOM11)

Dear Ms. Karwoski:

Enclosed is a report of our fiscal monitoring review of Adequate Housing for Missourians (Document #48404) for the period January 1, 2004 through August 31, 2004. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Adequate Housing for Missourians. Our fieldwork was substantially completed on October 19, 2004.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and through an agreement with the Department of Human Services (DHS) to provide fiscal monitoring to all grant subrecipients. If you have any questions, please contact me at 613-7257.

Sincerely,

A handwritten signature in cursive script that reads "Dwayne Crandall".

Dwayne Crandall, MHA, CIA, CPA
Internal Audit Supervisor

Cc: Honorable Darlene Green, Comptroller
Patrick Brennan, Fiscal Manager, Department of Human Services

Enclosure



CITY OF ST. LOUIS

*DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES PROGRAM*

*ADEQUATE HOUSING FOR MISSOURIANS
FEDERAL EMERGENCY SHELTER GRANT (FESG)
DOCUMENT #48404*

FISCAL MONITORING REVIEW

JANUARY 1, 2004 THROUGH AUGUST 31, 2004

PROJECT #2005-HOM11

DATE ISSUED: DECEMBER 21, 2004

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES
ADEQUATE HOUSING FOR MISSOURIANS
DOCUMENT #48404
FISCAL MONITORING REVIEW
JANUARY 1, 2004 THROUGH AUGUST 31, 2004

TABLE OF CONTENTS

<u>Description</u>	<u>Page(s)</u>
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
CONCLUSION AND SUMMARY OF OBSERVATIONS	
Conclusion	2
Status of Prior Observations	2
A-133 Status	2
Summary of Current Observations	2
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES	3

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES
ADEQUATE HOUSING FOR MISSOURIANS
DOCUMENT #48404
FISCAL MONITORING REVIEW
JANUARY 1, 2004 THROUGH AUGUST 31, 2004**

INTRODUCTION

Background

Contract Name: Adequate Housing for Missourians

Document Number: #48404

Contract Period: January 1, 2004 through December 31, 2004

Contract Amount: \$50,000

This contract provides funds from the Department of Housing and Urban Development (HUD), Federal Emergency Shelter Grant (FESG) to Adequate Housing for Missourians to provide rental assistance to prevent individuals from becoming homeless.

Purpose

The purpose of this fiscal monitoring review was to determine Adequate Housing for Missourians' (Document #48404) compliance with federal, state and local Department of Human Services (DHS) requirements for the period January 1, 2004 through August 31, 2004, and make recommendations for improvements.

Scope and Methodology

We made inquiries regarding Adequate Housing for Missourians' internal controls relating to the grant administered by the Department of Human Services (DHS), tested evidence supporting the reports the Agency submitted to DHS and performed other procedures considered necessary. Our fieldwork was substantially completed on October 19, 2004. Management's responses were received on December 1, 2004 and have been incorporated into this report.

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES
ADEQUATE HOUSING FOR MISSOURIANS
DOCUMENT #48404
FISCAL MONITORING REVIEW
JANUARY 1, 2004 THROUGH AUGUST 31, 2004**

CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

Adequate Housing for Missourians did not fully comply with federal, state and local DHS requirements.

Status of Prior Observations

The Agency's most recent fiscal monitoring report dated January 15, 2004 identified the following observation:

- The Agency did not have sufficient fidelity bonding. **(Repeated. See Current Observation.)**

A-133 Status

According to a letter received from Agency management dated October 19, 2004, Adequate Housing for Missourians was not required to obtain an A-133 audit for the period ending December 31, 2003 because it did not expend \$300,000 or more in Federal funds.

Summary of Current Observations

We made a recommendation for the following observation, which if implemented, could assist Adequate Housing for Missourians in fully complying with federal, state, and local DHS requirements.

- The Agency did not have sufficient fidelity bonding.

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES
ADEQUATE HOUSING FOR MISSOURIANS
DOCUMENT #48404
FISCAL MONITORING REVIEW
JANUARY 1, 2004 THROUGH AUGUST 31, 2004

**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

The Agency did not have Sufficient Fidelity Bonding

The Department of Human Services policy guidelines require the Agency to have fidelity bonding for all employees with fiscal responsibilities that is equal to the grant amount. The Agency has a FESG contract for a maximum compensation of \$50,000.00. The Agency's bonding policy only covers up to \$10,000.00 for employee dishonesty, or forgery and alteration. This policy should have coverage equal to the contract amount. Failure to maintain adequate and current fidelity bonding increases financial risk to the Agency and potential loss of federal funds and future reimbursements.

Recommendation

We recommend the Agency obtain adequate fidelity bonding coverage.

Management's Response

Attached please find documentation from our insurance agent, which states that [our] Employee Dishonesty Insurance has been increased to reflect the full amount of our FESG Grant Contract, \$50,000.00.

Auditor's Response

We were furnished a Certificate of Insurance which appears to satisfy the minimum requirement.